



# ECONOMIC INDICATORS

SEPTEMBER - OCTOBER 2001

## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

**T**he latest available economic data for California do not reflect conditions after the September 11, 2001 attacks. Thus, their usefulness for discerning the state's current economic condition is limited. Although too little time has elapsed to accurately appraise the attacks' impact on the state generally, it is reasonable to assume that the indicators discussed below may paint a more optimistic picture than exists now. However, while the full impact of the September 11 attacks and subsequent events is only now beginning to emerge, there are reasons to believe that California will be less severely affected than the nation as a whole.

### EMPLOYMENT

Likewise, labor market figures for September reflect employment status at any time during the second week of the month, including September 10, the day preceding the attacks.

Nonfarm employment—an estimate based on a large survey of establishments—declined 17,400 in September. Industry estimates for September indicate a decline in construction employment, weakness in nearly all manufacturing sectors, gains in private service employment, and an anomalous drop in government employment.

### MANUFACTURING SUFFERS

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Manufacturing employment dropped 10,100 in September—the tenth consecutive month-over-month decline. Only textile mill employment rose, adding 500 jobs. California's high-tech specialties—computers, electronics, aerospace, and instruments—accounted for over 60 percent of the September losses.

Service sector employment rose 6,500 in September based on gains in motion pictures (3,800 jobs), social services (3,000 jobs), and engineering and management consulting (1,700 jobs). These gains more than offset the fifth consecutive monthly decline in business service employment, which lost 3,000 jobs. Business services—which is dominated by computer programming and personnel supply firms—had been the leading service sector for the past several years. It accounted for 64 percent of total services growth in 2000 (and nearly 30 of total industry employment growth). The growth leaders during September were health services, social services, and private educational services.

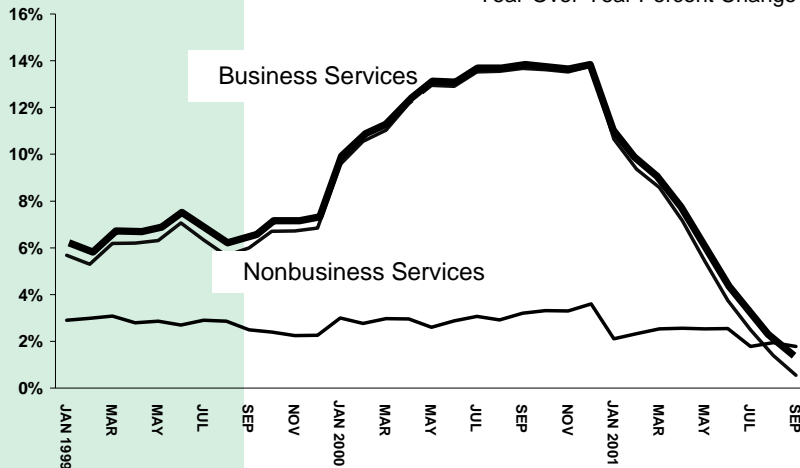
Government employment, which has been the job growth leader for the last several months, fell by 13,300 jobs in September. This loss, however, was largely the result of a seasonal adjustment anomaly which turned a lower-than-typical 80,000 gain in public school employment into a month-over-month loss. The seasonal adjustment problem reflects the spread of year-round schools and year-to-year differences in starting dates in schools using the more traditional calendars. Both federal and state employment (seasonally adjusted) grew in September.

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## Business Services Plummet

Service Sector Employment  
Year-Over-Year Percent Change



Overall, nonfarm employment is up over the year, growing 1.0 percent from September 2000—a dramatic reduction from the 3.8 percent growth achieved in 2000. Despite this, California still created more jobs than the nation as a whole over the year, 147,800 versus 120,000.

Services added the most jobs, 66,100, followed closely by government, 61,100 and more distantly by wholesale and retail trade, 47,200. Manufacturing lost 63,000 jobs over the year, with losses in nearly all sectors. High tech manufacturing has been notably hard hit. Business service growth has also dropped considerably.

## UNEMPLOYMENT INCHES UP TO 5.4 PERCENT

California's unemployment rate, which is estimated from a limited survey of households, inched up 0.1 percent to 5.4 percent in September based on a 7,000 rise in the number of people unemployed. A year ago, the unemployment rate was 4.9 percent. The national unemployment rate, at 4.9 percent, is up a full percentage point over the year.

## BUILDING ACTIVITY

Construction activity recovered somewhat in August, but was still weaker than at this time last year. Residential construction, measured by permitted units, grew 11.0 percent from July's weak performance but was still down 2.1 percent from August 2000. August's seasonally adjusted annual rate of 140.2 thousand permitted units boosted the year-to-date total to 1.1 percent above the first eight months of 2000. The San Francisco Bay Area continues to be the principal source of the residential construction slowdown.

Nonresidential construction followed a similar pattern in August. Despite rising by 36.6 percent over the month, it was down 12.5 percent from a year ago. Office building construction registered the strongest month-to-month gain but from an abnormally weak performance in July. Total nonresidential construction during the first eight months of 2001 was down 2.0 percent from the same months of 2000.

## REAL ESTATE

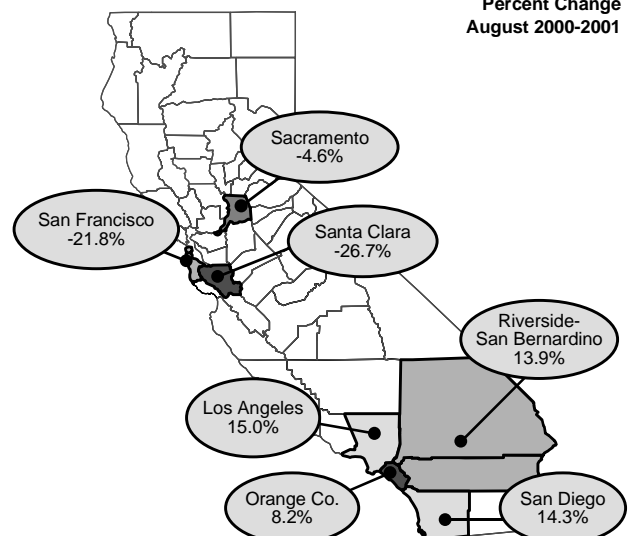
California's real estate market made a better showing in August than the preceding month, with modest increases in both sales and prices. The median single-family home price rose to \$276,590, a 3.5 percent increase from July and 8.6 percent above the August 2000 median. The sales of existing single-family homes also rose in August with 571,070 units changing hands.

The contrast in existing home sales between the northern and southern regions persisted in August. As would be expected from the weak employment picture, Northern California, particularly the San Francisco Bay Area, has experienced a significant slowdown in home sales.

## WEAK IN THE NORTH, STRONG IN THE SOUTH

## Strong Home Sales in the South, Weak in the North

Existing Home Sales  
Percent Change  
August 2000-2001



## CALIFORNIA:

### NO REPEAT OF THE 1990s

**A**t first glance, there appear to be troubling similarities between the September 11 attacks and the 1990 invasion of Kuwait by Iraq. The 1990 invasion ushered in California's worst economic malaise since the Great Depression of the 1930s. But despite the fact that economic conditions leading up to both periods have many elements in common, there are some fundamental differences that indicate that this will not be a repeat of the early 1990s.

#### SIMILARITIES

Both events were traumatic for the American people and for an already faltering economy. While the invasion of Kuwait appeared to trigger the 1990 recession, in fact, the economy was already contracting. The 1990 recession began in July 1990, the month before the invasion. (As always, the date was officially determined well after the fact.) At the time of the September 11, 2001 attacks, the national economy was slowing dramatically. After growing over 4 percent in 2000, US

GDP grew a mere 0.3 percent in the second quarter of 2001. The nation added an average of 166,800 jobs each month in 2000, but actually lost 22,300 jobs each month on average during the first nine months of 2001—with strong losses occurring in August and September. Many observers now believe that the current US downturn will be dated from April or May of this year, months before the terrorist attacks. (Of course it will never be known whether the spring-summer weakness would have developed into a full-fledged recession absent the September 11 attacks.)

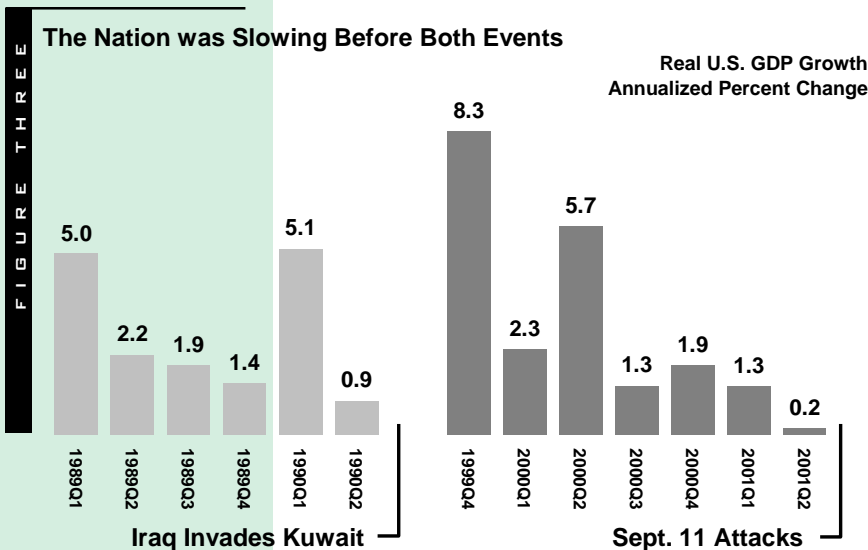
In both cases, California was also already slowing. California's year-to-year industry employment growth had slowed to 1.3 percent in August 2001, after growing 3.7 percent in 2000. Personal income grew a

remarkable 11.0 percent in 2000, but had slowed to 3.9 percent year-over-year by the second quarter of 2001.

Despite these similarities, there are also notable differences that argue against a repetition of the prolonged downturn it suffered in the early 1990s. A decade ago, the state's economy underwent a fundamental and painful restructuring that is unlikely to be repeated. To the contrary, the 1990s transformation has probably reduced the state's sensitivity to the current shock.

In many respects, current events are far more traumatic than those of a decade ago. While the invasion of Kuwait had serious economic and national security implications for the U.S., it happened thousands of miles away, well outside our borders. The September 11 attacks, on the other hand, are on our soil and at the heart of the nation's financial community and defense establishment. The financial and productivity losses, direct and indirect, are significant and immediate. Additionally, the psychological impact is fundamentally greater. Dealing with the long-term changes—heightened security at airports for instance—will permanently add to costs and detract from the economy's productivity. Thus, the economic fallout of the terrorist attacks could be more severe than that associated with the Gulf War, which outside California, was perhaps the mildest of all post World War II recessions.

However, the most traumatic factors for the California economy in the early 1990s were not directly related to the invasion of Kuwait or to the national recession. What made the 1990

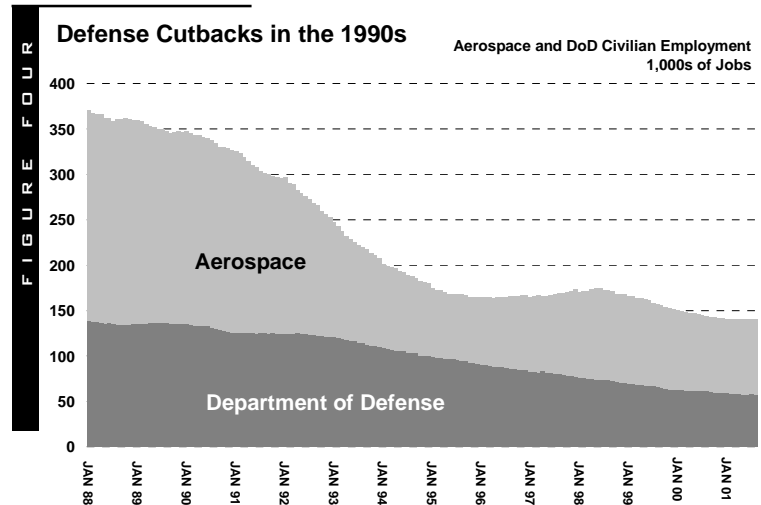


#### CONTRASTS

##### CLOSER TO HOME THIS TIME

recession so severe and prolonged for the state was the dramatic economic restructuring centered in the aerospace and defense sectors associated with the end of the Cold War. The importance of defense spending and aerospace manufacturing to the state's economy has since diminished dramatically. Additionally, restructuring and consolidation in the banking and finance industry drastically reduced the presence of major financial institutions.

From before World War II until the early 1990s, California was home to a larger-than-average share of both military base employment (uniformed and civilian) and the aircraft and ordnance industries that sell to the Department of Defense (DoD). For much of that period, aerospace (aircraft, missiles, space and navigation) was in fact California's leading export activity, providing a large share of national defense goods and services to the rest of the nation.



The end of the Cold War spurred substantial cuts in federal defense outlays, and California bore a disproportionate share of these reductions. In the early 1990s, reductions in DoD procurement primarily affected California's aerospace industry. As the decade wore on, parts of the state began to suffer from military base closures as well. All told, the state accounted for two-thirds of the civilian and military job reductions arising from the base closure program. From the late 1980s peak, aerospace employment has fallen by almost 60 percent—over 230,000 jobs—with three-quarters of the losses in the early 1990s. Base closures claimed another 65,000 civilian jobs, representing well over one-third of late-1980s DoD jobs in the state.

Based on the current industry mix, California is less likely today to suffer from a prolonged downturn as it did in the early 1990s. As the importance of defense and aerospace declined, emerging high-technology industries sprang to the forefront. Currently, California specializes in agriculture, electronics and aerospace manufacturing, and apparel and petroleum production. California's top three durable goods manufacturing industries include computers, electronic components, and electronic instruments. It is also the chief source of several large service exports, including motion pictures and entertainment, computer services and software, and engineering and management consulting.

California will most likely be less severely impacted by the September 11 events than the nation as a whole. The commercial aircraft manufacturing, airline, and travel and tourism industries account for a less significant share of the state's economy than they do for the rest of the nation. The state's leading industries, particularly its high technology manufacturing and services, are destined to be the engines of growth and the principal source of productivity growth for years to come.

Another notable difference between the 1990 and 2001 events is the state of the construction industry. The 1990 Iraqi invasion occurred at the end of a construction boom, characterized by excessive building. At its peak, residential construction reached a seasonally adjusted annual rate of over 350,000 units. In the fourth quarter of 1990—the first full quarter after the invasion—the rate fell to only 106,300 units. Residential construction averaged an annual rate of 204,000 units during the 1980s. During the 1990s the average rate was just 110,000 units.

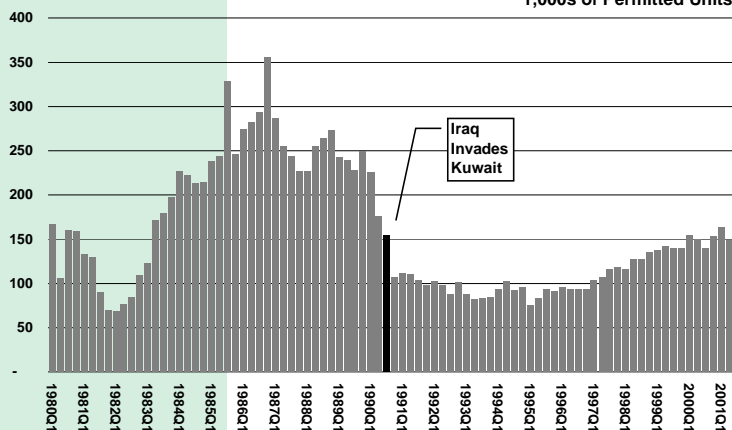
THE COLD  
WAR ENDS

LESS DEFENSE...

...AND MUCH MORE  
HIGH TECH

NO CONSTRUCTION  
BUBBLE

## Homebuilding Moderates in the 1990's

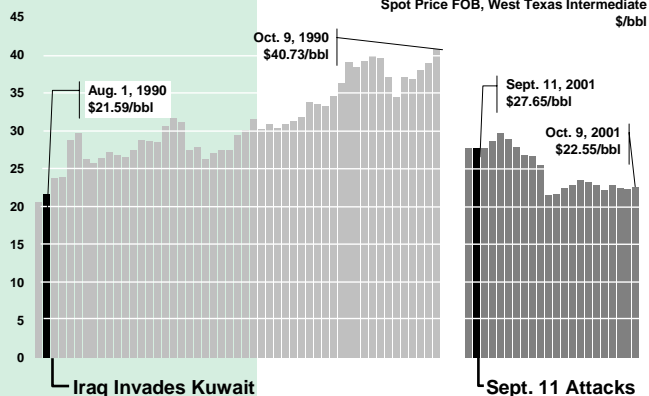
Total Residential Construction  
1,000s of Permitted Units

The pace of residential construction in the 1980s outran employment growth by a healthy margin. In contrast, the 1990s were characterized by inadequate home building relative to strong job growth. Given that we are entering this new economic phase with unmet housing demand, the state will most likely avoid another sharp and sustained fall-off in construction activity as happened in the early 1990's.

The late 1980s also witnessed a speculative boom in nonresidential construction—mainly commercial office buildings—largely financed by foreign investors and banks. In the early 1990s, the severe downturn in aerospace coupled with consolidations in the financial services industry exacerbated an

already seriously overbuilt commercial office market. As vacancy rates soared, rents and real estate values plummeted.

## Different Oil Price Reaction

Spot Price FOB, West Texas Intermediate  
\$/bbl

Source: U.S. Department of Energy

To some degree, the commercial construction boom of the late 1980s might be likened to the venture capital fed dot-com boom of the past few years. Both were clearly examples of speculative excess and both were fueled to a considerable degree by foreign investors. However, the dot-com boom was considerably less than met the eye. Although paper fortunes were made and lost within a period of months, employment effects were relatively small. Investors had bet largely on concepts and ideas rather than structures, equipment and large organizations. However, the dramatic fall in high tech stock prices has significantly affected state tax revenues.

Another significant difference between the 1990 invasion and the September 11 attacks is the reaction of world oil prices. Within 3 weeks of the August 1, 1990 invasion the world spot price for crude oil leapt over 33 percent, from \$23.71/bbl to \$31.67/bbl. The price would eventually peak at over \$41.07/bbl in October 1990, a 73 percent increase from the pre-

invasion price. Since the September 11 attack, world oil prices have actually fallen about 20 percent. In the early 1990s, higher fuel prices were a major drag on the economy. In addition, rising oil prices served to limit the Federal Reserve Board's ability to stimulate the economy. In contrast, lower energy prices should prove helpful in generating recovery, while the Fed has been able to cut interest rates aggressively with little fear of spreading inflationary pressures.

Thus, for a variety of reasons, California does not appear destined to endure another long-term economic slowdown as it did in the early 1990s. The state's economic base is more diversified and it has specialized in industries that are likely, despite recent troubles, to sustain healthy growth over the long haul.

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### The 2001 California Statistical Abstract

is now available at the Department of Finance's web site: [www.dof.ca.gov](http://www.dof.ca.gov)

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# SELECT INDICATORS

## EMPLOYMENT

### EMPLOYMENT (Seasonally adjusted)

	2001				2000	Yr-Over-Yr % Change
	Sep	Aug	Jul	Jun	Sep	
Civilian employment (000)	16,475	16,471	16,496	16,488	16,342	0.8
Unemployment (000)	933	926	866	894	841	10.9
Unemployment rate	5.4	5.3	5.0	5.1	4.9	--
Nonagricultural wage and salary employment (000)	14,791.5	14,808.9	14,794.5	14,820.7	14,643.7	1.0
Mining	23.1	23.2	23.2	23.3	23.5	-1.7
Construction	758.9	765.6	762.9	768.6	748.0	1.5
Manufacturing	1,887.6	1,897.7	1,910.0	1,924.4	1,950.6	-3.2
Durable	1,182.0	1,190.9	1,196.8	1,204.7	1,226.1	-3.6
High technology a/	494.5	500.4	506.0	509.5	517.1	-4.4
Computer and office equipment	90.8	91.7	93.1	94.3	95.2	-4.6
Communications equipment	41.0	41.2	41.7	41.9	42.6	-3.8
Electronic components	155.1	157.2	160.2	162.6	167.1	-7.2
Aircraft and parts	69.8	70.2	70.5	70.7	72.9	-4.3
Missiles, spacecraft, and parts	20.5	20.6	20.7	20.8	21.3	-3.8
Search and navigation equipment	48.4	49.0	48.9	48.6	48.2	0.4
Measuring and controlling devices	68.9	70.5	70.9	70.6	69.8	-1.3
Nondurable	705.6	706.8	713.2	719.7	724.5	-2.6
Transportation and public utilities	759.2	760.8	759.9	763.4	750.6	1.1
Trade	3,376.1	3,368.5	3,362.5	3,368.2	3,328.9	1.4
Wholesale	852.0	849.8	848.7	851.3	836.0	1.9
Retail	2,524.1	2,518.7	2,513.8	2,516.9	2,492.9	1.3
Finance, insurance, and real estate	843.3	843.0	842.6	843.1	826.0	2.1
Services e/	4,754.4	4,747.9	4,748.1	4,751.9	4,688.3	1.4
Business services	1,413.6	1,416.6	1,423.2	1,426.2	1,405.9	0.5
Motion pictures	185.4	181.6	184.4	187.3	190.8	-2.8
Amusement and recreation services	214.4	214.1	213.1	212.2	212.8	0.8
Engineering and management consulting	480.5	478.8	478.2	477.8	476.0	0.9
Government	2,388.9	2,402.2	2,385.3	2,377.8	2,327.8	2.6
Federal	259.2	258.8	259.2	256.9	261.7	-1.0
State and local	2,129.7	2,143.4	2,126.1	2,120.9	2,066.1	3.1

## HOURS & EARNINGS

### HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

	2001	2000	Yr-Over-Yr % Change
	Aug	Jul	
Average weekly hours	41.3	40.9	-1.7
Average weekly earnings	\$610.83	\$607.94	1.3
Average hourly earnings	\$14.79	\$14.72	3.0

## CONSUMER PRICES

### CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

	2001	2000	Yr-Over-Yr % Change
	Aug	Jul	
All Urban Consumers Series			
California Average	n.a.	182.9	n.a.
San Francisco CMSA	n.a.	191.0	n.a.
Los Angeles CMSA	178.8	178.4	178.3
Urban Wage Earners and Clerical Workers Series			
California Average	n.a.	175.7	n.a.
San Francisco CMSA	n.a.	186.7	n.a.
Los Angeles CMSA	171.5	171.1	171.3

## CONSTRUCTION

### CONSTRUCTION

	2001				2000	Yr-Over-Yr % Change
	Aug	Jul	Jun	May	Aug	
Private residential housing units authorized (000) b/	140.2	126.3	132.5	154.6	143.3	-2.1
Single units	98.4	98.9	90.4	105.6	105.9	-7.1
Multiple units	41.8	27.4	42.1	49.0	37.3	11.9
Residential building authorized valuation (millions) c/	\$2,547	\$2,045	\$1,948	\$2,525	\$2,430	4.8
Nonresidential building authorized valuation (millions) c/	\$1,506	\$1,103	\$1,272	\$1,574	\$1,720	-12.5
Nonresidential building authorized valuation (millions) d/	\$1,603	\$1,171	\$1,503	\$1,634	\$1,822	-12.0
Commercial	570	347	561	700	711	-19.9
Industrial	172	111	149	104	204	-15.5
Other	269	189	241	242	183	46.8
Alterations and additions	593	524	552	588	724	-18.1

## AUTO SALES

### AUTO SALES (Seasonally adjusted)

	2001	2000	Yr-Over-Yr % Change
	Aug	Jul	
New auto registrations (number)	n.a.	139,660	140,216

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

**SELECT  
INDICATORS  
(CONTINUED)**

**VACANCY RATES**  
— . . . —

**VACANCY RATES FOR 2ND QUARTER 2001  
(Percent)**

	Office			Industrial
	<u>Total</u>	<u>Downtown</u>	<u>Suburban</u>	
Northern and Central California:				
Oakland-East Bay	7.0	7.4	6.9	--
Sacramento	6.4	4.6	7.0	11.8
San Francisco	10.8	10.5	11.4	8.7
San Jose	10.2	8.0	10.8	--
Southern California:				
Los Angeles Metro	11.8	14.6	11.2	9.3
Orange County	13.9	n.a.	13.9	--
San Diego	8.3	7.0	8.6	5.3
Ventura County	10.1	n.a.	10.1	--
National Average	10.3	8.3	11.5	8.8

**HOME PRICES**  
— . . . —

**MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES**

2000				2001			
Jan	\$226,870	Jul	242,100	Jan	\$246,380	Jul	267,280
Feb	227,160	Aug	255,580	Feb	245,560	Aug	
Mar	233,140	Sep	248,020	Mar	262,980	Sep	
Apr	241,600	Oct	252,510	Apr	262,420	Oct	
May	240,470	Nov	251,760	May	257,060	Nov	
Jun	244,230	Dec	249,370	Jun	266,930	Dec	

# LEADING INDICATORS/

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.7	41.5	67,377	4,713	90.5
	Feb	4.8	41.8	55,952	4,355	122.6
	Mar	5.1	42.2	58,551	3,579	98.7
	Apr	5.0	42.0	59,557	3,957	102.4
	May	4.9	41.8	59,293	4,479	108.2
	Jun	4.9	41.7	63,334	4,367	108.4
	Jul	4.9	41.7	61,910	4,744	112.3
	Aug	5.1	42.0	63,234	4,206	114.3
	Sep	5.0	42.0	64,061	4,763	121.2
	Oct	5.0	42.0	61,392	4,738	127.9
	Nov	5.0	42.2	58,151	4,421	117.1
	Dec	5.1	42.2	58,804	4,823	108.8
1998	Jan	5.1	42.1	57,555	4,711	105.8
	Feb	5.0	41.9	59,896	4,575	111.7
	Mar	4.9	41.9	58,500	4,613	128.8
	Apr	4.5	41.2	57,552	5,084	116.6
	May	4.7	41.8	58,844	4,502	121.6
	Jun	4.8	41.9	54,072	4,705	142.9
	Jul	4.7	41.9	54,244	4,837	117.5
	Aug	4.6	41.7	52,766	4,378	137.2
	Sep	4.5	41.4	50,869	3,745	125.9
	Oct	4.7	41.8	52,740	4,711	137.2
	Nov	4.6	41.7	54,399	4,728	139.9
	Dec	4.6	41.8	53,932	4,602	126.8
1999	Jan	4.6	42.2	53,407	4,930	140.7
	Feb	4.7	41.9	52,466	5,096	137.6
	Mar	4.7	42.0	52,826	6,033	134.6
	Apr	4.7	42.0	52,809	5,080	140.3
	May	4.8	42.0	50,231	5,292	141.4
	Jun	4.7	41.9	51,380	5,506	145.3
	Jul	4.5	41.7	51,205	5,303	148.3
	Aug	4.6	41.5	51,077	5,864	136.8
	Sep	4.6	41.3	50,513	5,848	133.4
	Oct	4.8	41.6	49,289	5,686	134.5
	Nov	4.8	41.5	51,158	5,987	142.6
	Dec	4.8	41.5	45,004	6,477	142.0
2000	Jan	4.9	41.5	52,060	6,500	154.1
	Feb	4.9	41.3	49,021	6,867	157.7
	Mar	4.9	41.4	47,039	8,319	153.0
	Apr	5.3	42.0	45,280	7,552	137.6
	May	5.0	41.6	47,659	6,699	132.6
	Jun	5.0	41.7	49,108	7,191	179.4
	Jul	5.1	41.7	48,486	7,205	133.5
	Aug	5.0	41.7	47,928	7,190	143.3
	Sep	5.0	42.0	48,084	7,133	141.9
	Oct	5.1	41.8	49,364	7,360	142.4
	Nov	4.8	41.5	47,796	7,561	150.1
	Dec	4.7	41.5	52,366	6,256	165.4
2001	Jan	4.4	41.0	49,371	7,472	185.6
	Feb	4.5	41.2	49,269	6,340	152.3
	Mar	4.5	41.1	52,879	6,466	154.2
	Apr	4.0	40.6	54,543	6,250	160.7
	May	4.3	41.0	55,805	6,956	154.6
	Jun	4.3	40.9	54,571	6,236	132.5
	Jul	4.3	41.1	56,673	6,359	126.3
	Aug	4.3	41.3	57,703	7,522	140.2
	Sep	4.3	41.3	n.a.	6,070	n.a.

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

# COINCIDENT INDICATORS/A

## EMPLOYMENT, UNEMPLOYMENT

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		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,405	1,954	6.1	335
	Feb	13,428	1,957	6.1	363
	Mar	13,454	1,960	6.0	365
	Apr	13,495	1,960	6.0	367
	May	13,537	1,965	6.0	355
	Jun	13,578	1,962	5.9	353
	Jul	13,604	1,946	5.9	352
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	6.0	355
	Oct	13,728	1,944	5.8	337
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.8	367
1999	Jan	13,786	1,925	5.6	353
	Feb	13,827	1,923	5.6	367
	Mar	13,856	1,924	5.5	372
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.2	374
	Jun	13,948	1,923	5.2	375
	Jul	14,002	1,922	5.1	352
	Aug	14,033	1,923	5.0	357
	Sep	14,064	1,927	5.0	365
	Oct	14,084	1,924	5.0	349
	Nov	14,121	1,923	5.0	347
	Dec	14,171	1,925	5.0	339
2000	Jan	14,256	1,933	4.9	354
	Feb	14,306	1,934	4.9	345
	Mar	14,360	1,937	5.0	348
	Apr	14,409	1,937	5.0	336
	May	14,480	1,940	5.0	328
	Jun	14,507	1,947	5.1	331
	Jul	14,579	1,952	5.0	337
	Aug	14,612	1,953	5.0	341
	Sep	14,644	1,951	4.9	315
	Oct	14,676	1,952	4.9	339
	Nov	14,707	1,953	4.8	347
	Dec	14,759	1,953	4.7	315
2001	Jan	14,714	1,950	4.6	347
	Feb	14,741	1,945	4.5	353
	Mar	14,799	1,944	4.7	353
	Apr	14,818	1,936	4.9	385
	May	14,813	1,932	4.9	419
	Jun	14,821	1,924	5.1	420
	Jul	14,795	1,910	5.0	457
	Aug	14,809	1,898	5.3	482
	Sep	14,792	1,888	5.4	n.a.

## INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1997	Qtr I	839,517	100,201	82,866
	Qtr II	851,775	102,010	84,167
	Qtr III	868,055	104,133	85,968
	Qtr IV	886,882	105,734	87,444
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,135,164	140,994	110,033
	Qtr II	1,116,747	143,632	110,630

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER  
INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2000		2001	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	27,067	Jan	31,457
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,883	Feb	27,796
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,957	Mar	31,866
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	31,128	Apr	28,116
1986-87	24,515	18.4	1996-97	18,477	17.3	May	30,898	May	27,833
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	33,650	Jun	28,995
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	33,222	Jul	28,097
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	35,781	Aug	
1990-91	24,265	19.5				Sep	35,250	Sep	
						Oct	37,506	Oct	
						Nov	34,125	Nov	
						Dec	33,615	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL  
NOTE

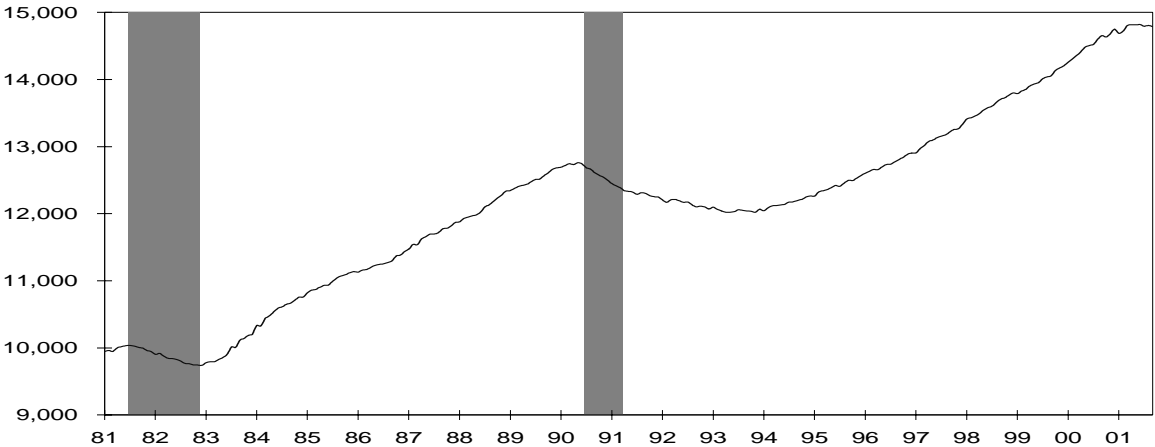
**S**eries classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

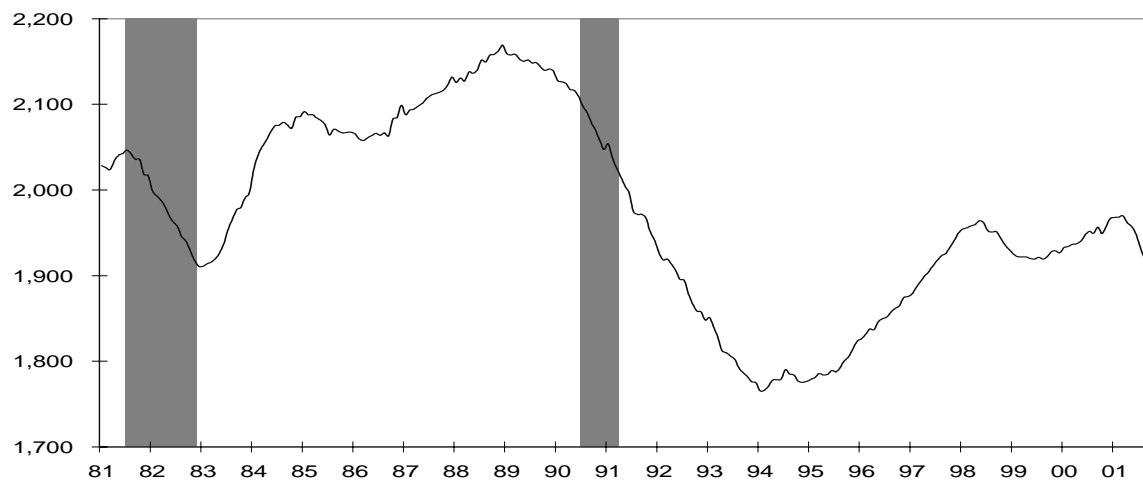
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

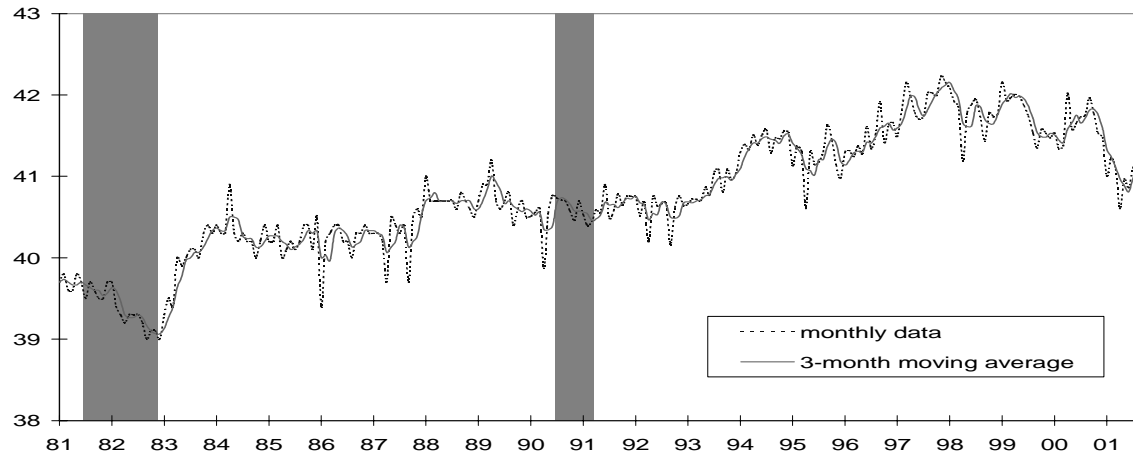


NONAGRICULTURAL  
EMPLOYMENT  
(THOUSANDS,  
SEASONALLY ADJUSTED)

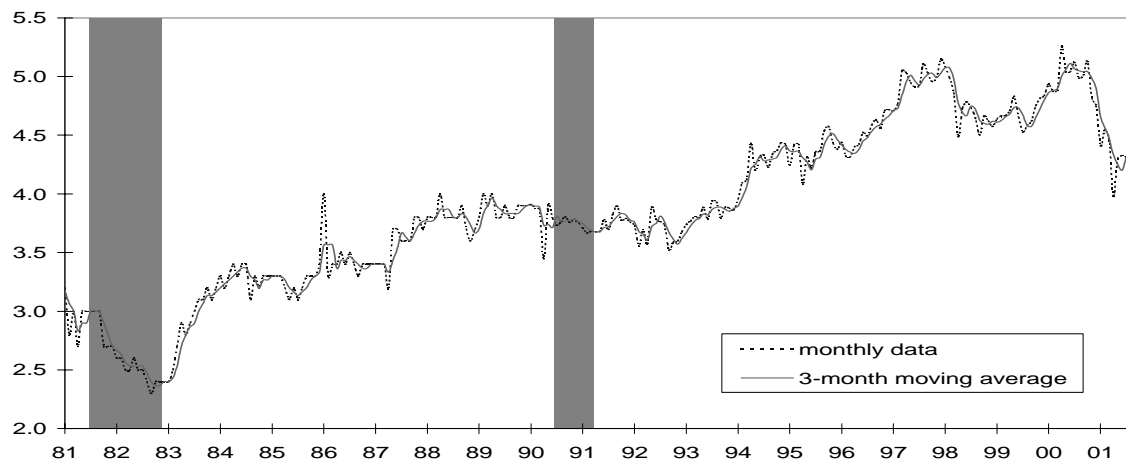
# MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



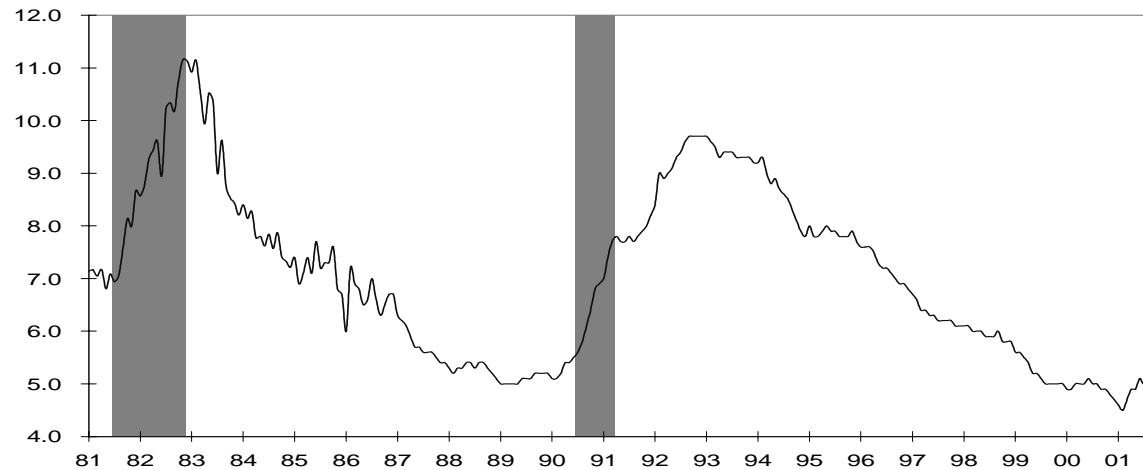
# AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



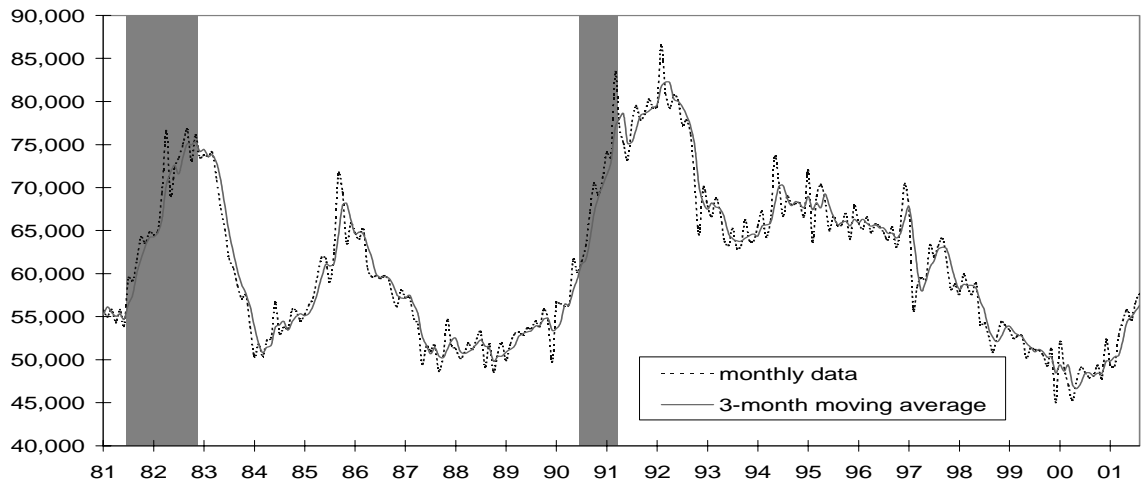
# AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



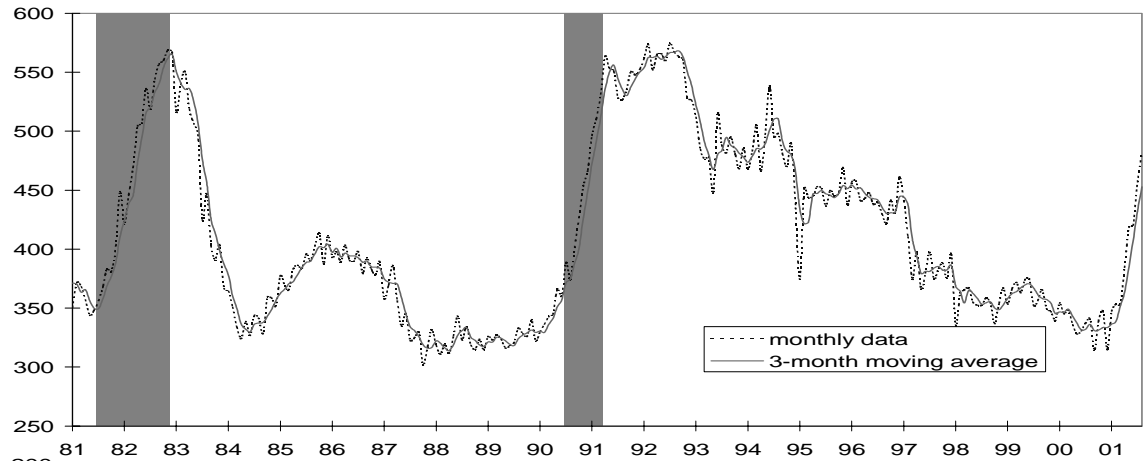
# UNEMPLOYMENT RATE (PERCENT)



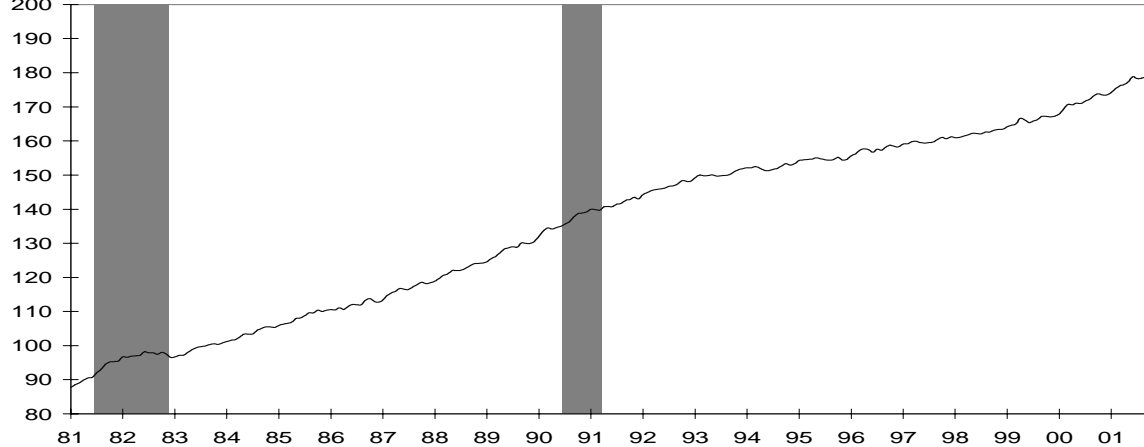
**INITIAL &  
TRANSITIONAL  
CLAIMS FOR  
UNEMPLOYMENT  
INSURANCE**  
(WEEKLY AVERAGE,  
SEASONALLY ADJUSTED)  
— . . . —



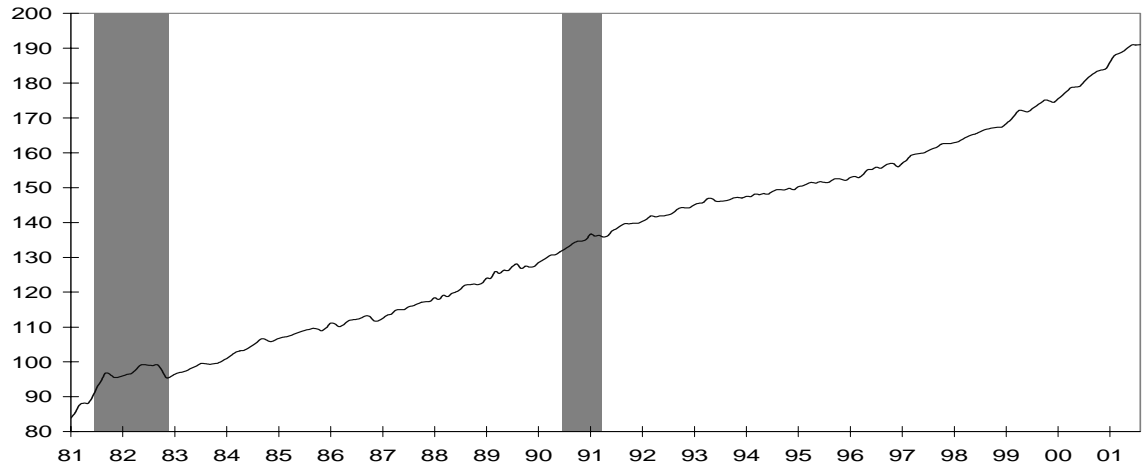
**UNEMPLOYMENT,  
AVERAGE WEEKS  
CLAIMED**  
(THOUSANDS, SEASONALLY  
ADJUSTED)  
— . . . —



**CONSUMER PRICE  
INDEX, LOS ANGELES  
(1982-84=100)**  
— . . . —



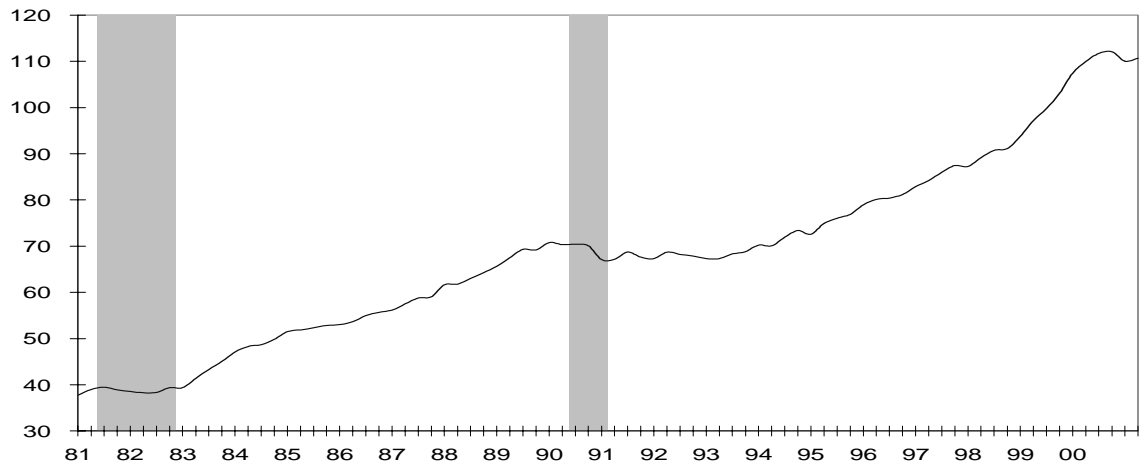
**CONSUMER PRICE  
INDEX,  
SAN FRANCISCO  
(1982-84=100)**  
— . . . —



## TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

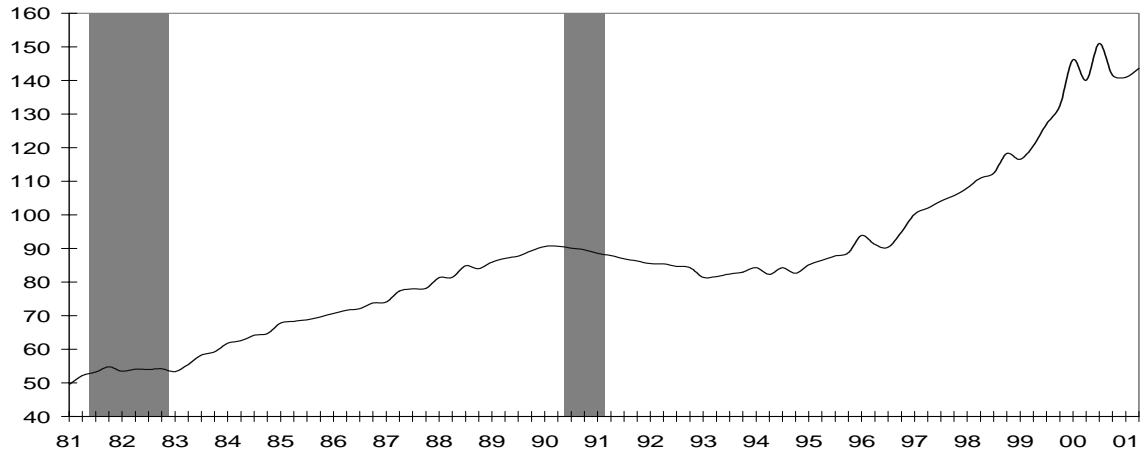
— . . . —



## WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

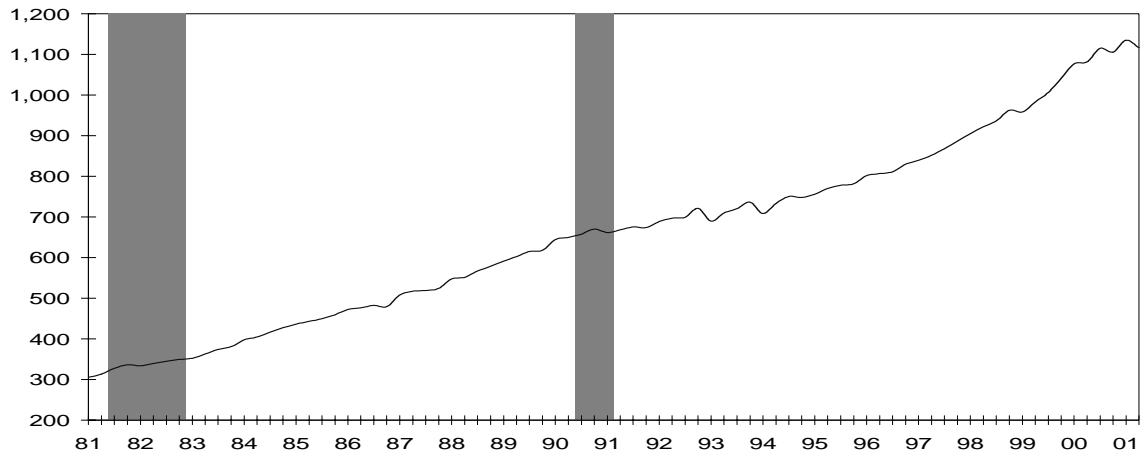
— . . . —



## PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

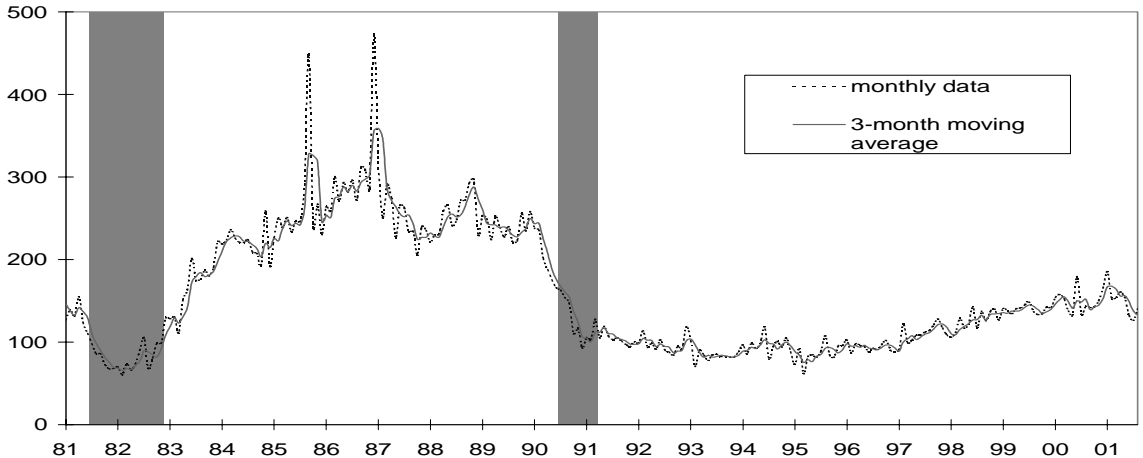
— . . . —



## NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY ADJUSTED  
AT ANNUAL RATE)

— . . . —



## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

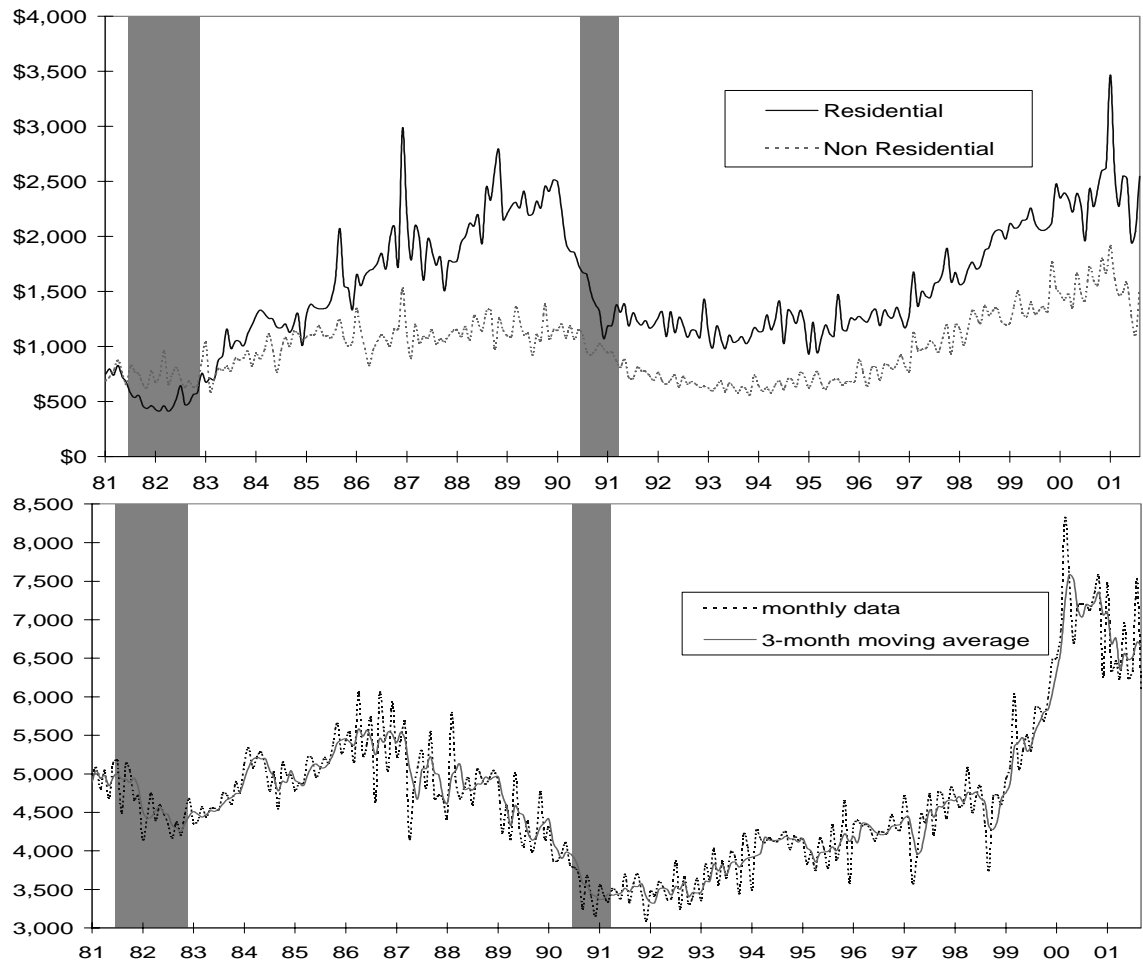
(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

— . . . —

## NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)

— . . . —



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

### 2000

January 27

Fourth quarter GDP grew at an annual rate of 5.8 percent.

February 2

Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

February 4

The nation's jobless rate at 4 percent is lowest in 3 decades.

February 7

Pfizer Inc. and Warner-Lambert Co complete merger deal.

March 20

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

March 21

Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

March 30

GDP growth rate for 4<sup>th</sup> quarter was revised upward to 7.3 percent, its strongest pace since 1984.

April 7

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

<b>April 10</b>	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
<b>April 27</b>	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.
<b>May 16</b>	Federal funds rate raised from 6.0 percent to 6.5 percent. Discount rate raised from 5.5 percent to 6.0 percent.
<b>June 29</b>	GDP 1 <sup>st</sup> quarter growth rate revised from 5.4 to 5.5 percent.
<b>July 28</b>	GDP 2 <sup>nd</sup> quarter grew at an annual rate of 5.2 percent.
<b>August -</b>	World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.
<b>September 19</b>	China was granted permanent normal trade relations status with the U.S.
<b>September 28</b>	GDP growth rate for 2 <sup>nd</sup> quarter was revised to 5.6 percent.
<b>October 18</b>	Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.
<b>October 31</b>	OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.
<b>December 21</b>	GDP for 3 <sup>rd</sup> quarter grew at an annual rate of 2.2 percent.
<hr/> <b>2001</b> <hr/>	
<b>January 1</b>	California's minimum wage raised from \$5.75 to \$6.25.
<b>January 1</b>	The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
<b>January 3</b>	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
<b>January 17</b>	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
<b>January 31</b>	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
<b>March 19</b>	OPEC to cut oil production by 1 million barrels a day.
<b>March 19-20</b>	California suffered rolling blackouts.
<b>March 20</b>	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
<b>March 27</b>	California regulators approved retail electric rate increase.
<b>March 29</b>	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
<b>April 6</b>	PG&E utility unit files for bankruptcy.
<b>April 18</b>	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
<b>April 23</b>	A Tosco refinery explosion pushed gasoline prices to near record highs.
<b>April 24</b>	Standard & Poors lowered California's bond rating from AA to A+
<b>April 27</b>	GDP grew at an annual rate of 2 percent in the first quarter.
<b>May 7-8</b>	California hit by rolling blackouts.
<b>May 15</b>	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
<b>June 7</b>	Federal tax cut was signed into law.
<b>June 18</b>	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
<b>June 27</b>	Federal funds rate reduced from 4.00 percent to 3.75 percent.

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## CHRONOLOGY—CONTINUED

- June 29** Discount rate reduced from 3.50 percent to 3.25 percent.  
First quarter GDP growth rate revised to 1.2 percent.
- August 21** Federal funds rate reduced from 3.75 percent to 3.50 percent.  
Discount rate reduced from 3.25 percent to 3.00 percent.
- August 29** Second quarter GDP grew at a 0.2 percent annual rate.
- September 11** Terrorists attack World Trade Center and the Pentagon.
- September 11-14** U.S. stock trading halts.
- September 17** Federal funds rate reduced from 3.50 percent to 3.00 percent.  
Discount rate reduced from 3.00 percent to 2.50 percent.
- October 2** Federal funds rate reduced from 3.00 percent to 2.50 percent.  
Discount rate reduced from 2.50 percent to 2.00 percent.
- October 26** Lockheed Martin Corporation awarded defense contract.

